

Message Text

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SUBJECT: EC FISCAL COUNCIL, DECEMBER 16, 1976: RESULTS

REF: (A) EC BRUSSELS 12106 (B) EC BRUSSELS 10454

1. SUMMARY: AFTER AN 18-HOUR DISCUSSION, THE DECEMBER 16
EC FISCAL COUNCIL REACHED AGREEMENT IN PRINCIPLE ON HITHERTO
UNRESOLVED ISSUES REGARDING VAT BASE HARMONIZATION. FORMAL
ADOPTION OF THE PROPOSED SIXTH DIRECTIVE ON VAT HARMONIZATION
IS NOW EXPECTED BEFORE MARCH 1, 1977. END SUMMARY.

2. THE FISCAL COUNCIL'S SUCCESSFUL RESOLUTION OF THE ISSUES
WHICH HAVE HELD UP ACTION ON VAT HARMONIZATION KEEPS OPEN THE
POSSIBILITY THAT THE EC MAY BE ABLE TO MEET ITS SELF-IMPOSED
JANUARY 1, 1978, DEADLINE FOR FINANCING THE EC BUDGET
THROUGH THE SO-CALLED "OWN RESOURCES" SCHEME. SEVERAL MEMBER
STATES MAINTAIN TECHNICAL RESERVATIONS WITH RESPECT TO SOME
OF THE POINTS AGREED BY THE COUNCIL; AND THE DANES, WHO
ARRIVED UNINSTRUCTED, MAINTAIN A GENERAL RESERVATION ON THE
AGREEMENTS PENDING DISCUSSIONS IN COPENHAGEN. HOWEVER,
COUNCIL AND PERMDEL SOURCES EXPECT THAT THESE POINTS
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CAN BE RESOLVED BY THE JANUARY 15 COREPER MEETING.
THE COUNCIL HAS REQUESTED THAT THE INCOMING UK
PRESIDENCY WORK WITH THE COMMISSION TO PRODUCE A FINAL
DRAFT TEXT SO THAT THE SIXTH DIRECTIVE CAN BE
ADOPTED BY MARCH 1, PROBABLY BY WRITTEN PROCEDURE OR AS
AN A-POINT.

3. COUNCIL AND PERMDEL SOURCES TELL US THAT THE MINISTERS REACHED AGREEMENT ALONG LINES OF THE DUTCH PRESIDENCY'S OCTOBER 21 COMPROMISE PROPOSAL ON EXEMPTIONS (REFTEL A). ONE EXCEPTION INVOLVES THE LENGTH OF THE TRANSITIONAL PERIOD FOR HARMONIZATION MEASURES, WHICH THE DUTCH HAD RECOMMENDED BY OPEN-ENDED, I.E., UNTIL FULL FISCAL HARMONIZATION ACHIEVED. THE MINISTERS DECIDED THAT ON MOST ITEMS THE TRANSITIONAL PERIOD SHOULD BE FIVE YEARS BUT MEMBER STATE DEROGATIONS BEYOND THIS PERIOD MAY BE PERMITTED IF NEED CAN BE PROVEN. SOME OF THE OTHER KEY POINTS ON WHICH THE MINISTERS REACHED AGREEMENT INCLUDE: BANKING AND FINANCIAL OPERATIONS (ANCILLARY SERVICES SUCH AS PORTFOLIO MANAGEMENT TO BE SUBJECT TO VAT, OTHER OPERATIONS EXEMPT); GOLD TRANSACTIONS (PRIVATE TRANSACTIONS TO BE TAXED AT END OF TRANSITIONAL PERIOD, AND CENTRAL BANK TRANSACTIONS EXEMPT); INTERNATIONAL RAIL AND ROAD PUBLIC TRANSPORT WITHIN THE EC (SUBJECT TO VAT AT END OF AN OPEN-ENDED TRANSITIONAL PERIOD); ZERO-RATING (TO BE PERMITTED DURING AN OPEN-ENDED TRANSITIONAL PERIOD); AND SMALL BUSINESS EXEMPTIONS (ALONG LINES GIVEN REF A). HINTON

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